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There are now strong indications that the Iranian Government is determined to nationalize Iran's petroleum industry under conditions that will force the complete withdrawal of the Anglo-Iranian Oil Company and all British personnel. It is by no means certain that the Iranian economy would collapse as a result of such a withdrawal, but it is clear that the danger of ultimate affiliation with the Soviet Bloc would substantially increase.

Iran could weather the ensuing difficulties without accepting Soviet assistance if the course of events were determined by economic factors alone. Without assistance from any other governments Iran probably could within a year acquire sufficient technical personnel, tanker services, markets, and marketing facilities to produce, transport, and sell refined petroleum products at an annual rate of 3 to 4 million metric tons, about 12 to 15 percent of the current annual rate. While gross receipts from the sale of oil would drop by 85 to 90 percent, the net gains to Iran would be only slightly less favorable than at present since British profits and other income to non-Iranians currently siphons off 70 to 80 percent of the gross receipts. The net revenue to the Iranian Government would actually be higher than the present level. Although foreign-exchange receipts and national income would decline somewhat, both problems could be met by measures that would not cause critical suffering. Moreover, Iran has sufficient reserves of gold and foreign exchange to cushion the decline in revenues during the transitional period, perhaps a year or longer, in which oil operations would be at a standstill.

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It would be a mistake, however, to forecast developments in Iran solely on the basis of economic factors. A British withdrawal is likely to lead directly and indirectly to serious disturbances that could undermine internal stability. Economic policies might be shaped by emotion more than by cool reasoning. Industrial workers unemployed as a result of nationalization would resent the inequitable sacrifice borne by them. Probable inflation would generate its familiar discontents. Widespread dissatisfaction would probably follow upon failure to accomplish the impressive results expected from nationalization. These factors might spur the Iranian Government to seek relief, albeit illusory, by dealing with the Soviet Bloc. Finally, the Tudeh (Iranian Communist) Party, a well-disciplined organization, would not hesitate to exploit these opportunities to foment disorder and attendant economic and political disintegration. Hence it is not at all certain that Iran, if <sup>forced</sup> forced by a hostile West, could avoid gradual absorption into the Soviet Orbit.

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